

## Virginia Department of Mines, Minerals and Energy

## Virginia Gas and Oil Board

Minutes and results of hearing, September 21, 2004

Board members present: Ms. Barber, Mr. Brent, Mr. Garbis, Mr. Harris, Mr. McIntyre, Mr. Wampler

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit U-16, docket number VGOB-93-0622-0381.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit U-17, docket number VGOB-93-0420-0363.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit U-18, docket number VGOB-93-0420-0355.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit V-16, docket number VGOB-95-0818-0511.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit V-17, docket number VGOB-95-0718-0509.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit V-18, docket number VGOB-96-1016-0556.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit V-20, docket number VGOB-92-0721-0243.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit W-17, docket number VGOB-95-0718-0508.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit W-18, docket number VGOB-95-0815-0510.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit W-19, docket number VGOB-92-1215-0305.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Board, on its own motion reconsidered prior approval of disbursement of escrowed funds for unit VP8SGU1, docket number VGOB-95-1024-0526.

Disbursement was reaffirmed pending proper indemnification and approval of the Office of Attorney General.

The Virginia Gas and Oil Board considered a petition Columbia Natural Resources, LLC, for creation and pooling of conventional gas unit 24540, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-04-0817-1327. Continued from August.

In the proposed 24540 conventional gas unit, the applicant controls 99.2% of the oil and gas interests, and seeks to pool the remaining 0.8% of the interests. Unleased acreage subject to pooling totals 0.9 net acres in one tract having nine unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for pooling of coalbed methane unit AV-101, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1328.

In the AV-101 unit, the operator controls 100% of the coal interests and 32.8% of the gas interests, and seeks to pool the remaining 67.2% of the gas interests. Unleased gas acreage subject to pooling totals 34.2 net acres in seven tracts with 34 unleased owners. There are conflicting claimants and unlocated owners subject to escrow, and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 8/30/04. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for pooling of coalbed methane unit BA-115, New Garden District, Russell County, Virginia. Docket Number VGOB-04-0921-1329.

In the BA-115 unit, the applicant controls 99.9% of the coal interests and 99.8% of the gas interests, and seeks to pool the remaining 0.1% of the coal interests and 0.2% of the gas interests. Unleased coal acreage subject to pooling totals 0.06 net acres in one tract with 15 unleased owners, and gas acreage subject to pooling totals 0.12 net acres in two tracts with one unleased owner. There are conflicting claimants subject to escrow. A permit to drill was issued on 2/7/02, and a well has been drilled and completed. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for creation and pooling of conventional gas unit 25444, Garden District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1330.

In the proposed 25444 conventional gas unit, the applicant controls 79.8% of the oil and gas interests, and seeks to pool the remaining 20.2% of the interests. Unleased acreage subject to pooling totals 22.7 net acres in three tracts having three unleased owners. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 6/2/04, and a well has been drilled. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for pooling of coalbed methane unit EE-13, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1333.

In the EE-13 unit, the operator controls 88.4% of the coal and gas interests, and seeks to pool the remaining 11.6% of the interests. Unleased acreage subject to pooling totals 9.3 net acres in two tracts with two unleased owners. There are no conflicting claimants or unlocated owners subject to escrow. A permit to drill the unit was issued on May 26, 2004, and a well has been drilled. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for pooling of coalbed methane unit EE-14, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1334.

In the EE-14 unit, the applicant controls 95.2% of the coal interests and 90.3% of the gas interests, and seeks to pool the remaining 4.8% of the coal interests and 9.7% of the gas interests. Unleased coal acreage subject to pooling totals 3.9 net acres in two tracts with 17 unleased owners, and gas acreage subject to pooling totals 7.8 net acres in two tracts with 17 unleased owner. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill was issued on 7/1/02, and a well has been drilled and completed. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for re-pooling of coalbed methane unit BA-114, New Garden District, Russell County, Virginia. Docket Number VGOB-03-1216-1243-01.

In the BA-114 unit, the applicant controls 98.8% of the coal interests and 97.4% of the gas interests, and seeks to pool the remaining 1.2% of the coal interests and 2.6% of the gas interests. Unleased coal acreage subject to pooling totals 0.7 net acres in two tracts with three unleased owners, and gas acreage subject to pooling totals 1.5 net acres in three tracts with four unleased owners. There are conflicting claimants and unlocated owners subject to escrow, and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 5/8/02, and a well has been drilled and completed. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 6A, Unit BUN-1, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-91-0716-0135-02.

Conflicting claimants to CBM royalties escrowed for Tract 6A have reached an agreement regarding the division of escrowed funds and direct payment of future royalties. Disbursement of funds from Tract 6A was approved.

The Virginia Gas and Oil Board considered a petition Equitable Production Company for re-pooling of conventional gas unit V-502025, Kenady District, Dickenson County, Virginia. Docket Number VGOB-04-0420-1284-01.

In the V-502025 conventional gas unit, the applicant controls 70.1% of the oil and gas interests, and seeks to pool the remaining 29.9% of the interests. Unleased acreage subject to pooling totals 33.7 net acres in 14 tracts having 25 unleased owners. There are unlocated owners subject to escrow, and tracts with multiple claimants and undetermined ownership for which escrow is requested. A permit to drill the unit was issued on 8/9/04. Pooling was approved.

The Virginia Gas and Oil Board considered a petition Equitable Production Company for a well location exception for proposed well P-550406, Clintwood District, Dickenson County, Virginia. Docket Number VGOB-04-0921-1335.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 84.4 feet closer to existing Equitable gas well V-535452 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources. A permit application has been submitted. The Location exception was approved.

The Virginia Gas and Oil Board considered a petition Equitable Production Company for pooling of coalbed methane unit VC-535874, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-09-21-1336.

In the VC-535874 unit, the applicant controls 97.2% of the coal interests and 93.5% of the gas interests, and seeks to pool the remaining 2.8% of the coal interests and 6.5% of the gas interests. Unleased coal acreage subject to pooling totals 4.8 net acres in one tract with two unleased owners, and gas acreage subject to pooling totals 11.0 net acres in two tracts with three unleased owners. There are conflicting claimants subject to escrow. No permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board considered a petition Equitable Production Company for pooling of coalbed methane unit VC-536070, Castlewood District, Russell County, Virginia. Docket Number VGOB-04-09-21-1337.

In the VC-536070 unit, the operator controls 100% of the coal interests and 96.7% of the gas interests, and seeks to pool the remaining 3.3% of the gas interests. Unleased gas acreage subject to pooling totals 1.9 net acres in one tract with 29 unleased owners. There are conflicting claimants and unlocated owners subject to escrow. No

permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board considered a petition Columbia Natural Resources, LLC for a well location exception for proposed well 24540, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1338.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 458.3 feet closer to existing Columbia gas well CNR-20439 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources. A permit application has been submitted. The location exception was approved.

The Virginia Gas and Oil Board considered a petition Columbia Natural Resources, LLC for creation and pooling of conventional gas unit 25403, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1339.

In the 25403 conventional gas unit, the applicant controls 99.3% of the oil and gas interests, and seeks to pool the remaining 0.7% of the interests. Unleased acreage subject to pooling totals 0.8 net acres in one tract having five unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board considered a petition Columbia Natural Resources, LLC for creation and pooling of conventional gas unit 25407, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1340.

In the 25407 conventional gas unit, the applicant controls 96.4% of the oil and gas interests, and seeks to pool the remaining 3.6% of the interests. Unleased acreage subject to pooling totals 4.1 net acres in one tract having 10 unleased owners. Additionally, 10 leased owners are being pooled because their leases do not include pooling clauses. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board considered a petition CNX Gas Company, LLC for creation of horizontal drilling unit with location exception for unit CNX HZ-1, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-0921-1341.

The applicant seeks creation of drilling units for drilling of two single-leg horizontal wells for the recovery of coalbed methane. The proposed units are 100% leased and do not require Board pooling. The areas of the proposed operations are not within existing field rules, but are near existing vertical CBM wells drilled under statewide spacing rules. A location exception is requested because some of these previously drilled vertical wells are less than the mandated 1000 feet from the proposed operations. A drilling unit composed of six 80-acre squares that are congruent with the Oakwood Field was formed authorized for drilling of horizontal wells. The location exception was not needed.

The deadline for filing of petitions to the Board for the October hearing is 5 p.m., Friday, September 17, 2004, with the hearing scheduled for 9 a.m. on Tuesday, October 19, 2004 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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